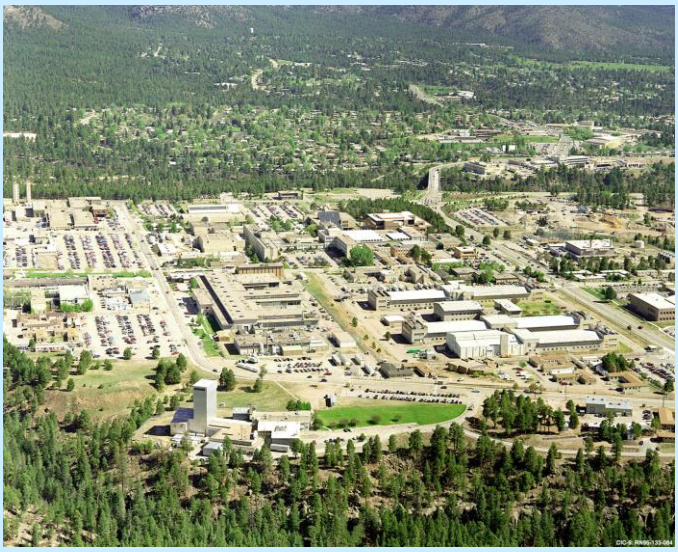
The Lab Issue from a Faculty Welfare Viewpoint



Daniel J.B. Mitchell

UCRS Board Member

UCFW Member

Leg Assembly: April 6, 2004

Time to Rise Above Principle?

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Retirement Issues

Retirement Issues

3 Elements of Retirement Income

- **Your personal saving through the UC system**
- **Your "basic" pension (a pre-funded defined-benefit plan)**
- **Retiree health care (not pre-funded)**

- ***No problem (not relevant to lab issue)***
- ***Problem: Assets & liabilities of pension fund (whose?)***
- ***Who will pay?***

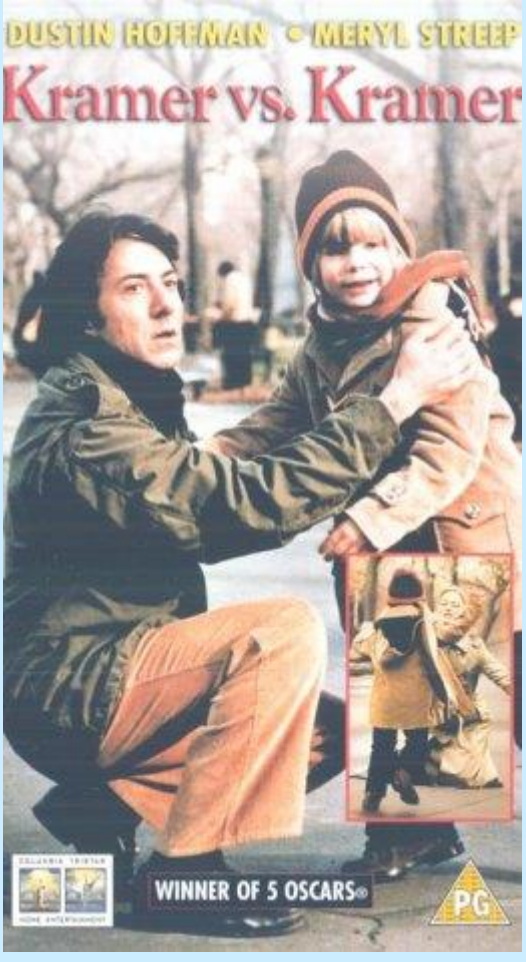
Retirement Issues

3 Scenarios for DOE/UC Divorce

- **UC comes out ahead (saves $$s)**
- **No impact on UC retirement system**
- **UC loses (which means active employees lose)**

- ***Basic pension for labs is terminated***
- ***Assets & liabilities divided "neutrally"***
- ***UC gets more liabilities than assets***

Divorces are often nasty



Basic Pension 7/1/03

- **Total Assets/ Liabilities**
- **Los Alamos NL**
- **Lawrence Berkeley NL**
- **Lawrence Livermore NL**

- **$35 billion vs. $33 billion**
- **$4 billion vs. $4 billion**
- **$4 billion vs. $4 billion**
- **$1.3 billion vs. $1.1 billion**

Assets at market valuation. Lab data are UC estimates.

Basic Pension 7/1/03

• **Total Assets/ Liabilities**	• **$35 billion vs. $33 billion**
• **Los Alamos NL**	• **$4 billion vs. $4 billion**
• **Lawrence Berkeley NL**	• **$4 billion vs. $4 billion**
• **Lawrence Livermore NL**	• **$1.3 billion vs. $1.1 billion**

Bottom line: Labs are something over one fourth of basic pension

I Want YOUR Assets

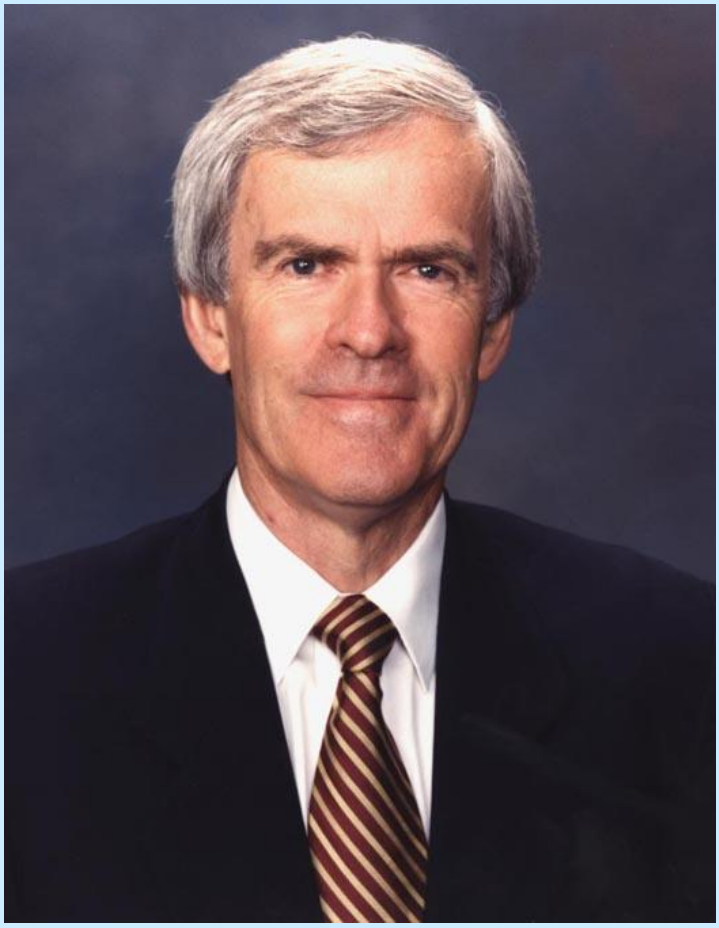
(You can keep the liabilities.)

What does contract say?

- **If termination of contract, service credit stops for lab employees. (Bad for them.)**
- **Assets attributable to lab employees are moved to a "spin-off" plan. Amount of assets to be negotiated by parties.**
- **UC continues paying already-retired lab employees.**
- **Not clear on retiree health insurance lab employees presumably expect.**

Quiz: Who is this?

Senator Jeff Bingaman



Dem. - New Mexico

Ranking Member, Senate Energy and Natural Resources Committee

Has expressed concern about lab employees' benefits.

Multiple Choice Quiz

Who will pay if UC comes up short after divorce?

- **State of California?**

- **Retirees and those close to retirement?**

- **Active faculty and staff?**

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Pres. Dynes:

Offering a VERIP, even if only to targeted groups, would represent a significant cost to the UC Retirement Plan (UCRP), and we must be very careful about how much we burden the plan. **A recent actuarial analysis found that the likelihood of having to resume contributions to UCRP within the next five years has increased substantially. Funding a VERIP would cause employer and employee contributions to the University's retirement program to begin sooner than would be the case without a VERIP.** ***We are particularly concerned about doing anything that could cause contributions to resume during a time when the state is not providing adequate funding for faculty and staff salary increases.***

Our University: 3/04

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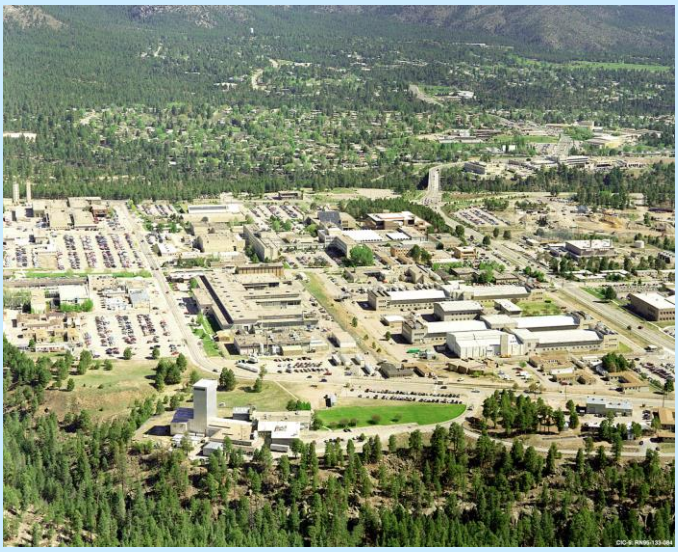

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